

Teacher Lesson Plan

Module 10: Education Credits

Time Frame

One to two class periods

Curriculum Area(s)

- Technology
- Civics/Government
- Family and Consumer Sciences
- History/Social Studies
- Economics

Purpose

To help students understand Education Credits available to taxpayers.

Objectives

Students will be able to:

- Explain the Hope Credit
- Explain the Lifetime Learning Credit
- Distinguish between the Hope Credit and Lifetime Learning Credit
- Explain the requirements for claiming these credits
- Explain the restrictions that apply to the credits
- Determine the eligibility for education credits by using Form 8863, Education Credits, to figure the credit

Materials

Online

[Student Lesson — Education Credits](#)

[Tax Tutorial — Education Credits](#)

[Simulation 10A — Claiming the Hope Credit](#)

[Simulation 10B — Claiming the Lifetime Learning Credit](#)

[Assessment — Education Credits](#)

[Assessment Solutions — Education Credits](#)

Print (PDF)

[Fact Sheet—Education Credits](#)

[Teacher Lesson Plan— Claiming Education Credits](#)

Tax Forms

Form 1040

Form 1040A

Form 8863

Background

Taxpayers have two credits available to help offset the costs of higher education. This reduces their income tax. These credits are the Hope Credit and Lifetime Learning Credit, also referred to as education credits.

The requirements for taking this credit depend on:

- Filing status and AGI or MAGI of the taxpayer
- Eligible Education institution
- Qualified tuition and related expenses

The Hope Credit allows taxpayers to claim a credit of up to \$1,650.

Taxpayers may claim a Lifetime Learning Credit of up to \$2,000.

Key Terms

AGI—adjusted gross income is total income reduced by certain amounts, such as student loan interest.

Hope Credit—the Hope Credit allows taxpayers to claim a credit of up to \$1,650 based on qualified tuition and related expenses paid for each eligible student.

Lifetime Learning Credit—taxpayers may claim a Lifetime Learning Credit of up to \$2,000 based on qualified tuition and related expenses paid for *all* eligible students enrolled in eligible educational institutions.

MAGI—modified adjusted gross income.

Opening the Lesson

Distribute Fact Sheet-Claiming Education Credits. Use the following questions to prompt students to share what they know about the credits:

- Name two education credits (*Hope Credit and Lifetime Learning Credit*)
- What is the difference between the Hope Credit and the Lifetime Learning Credit? (*Hope Credit is up to \$1,650 based on qualified educational institution for students who have not completed the first two years of postsecondary education and*

are enrolled in a program which leads to a degree. A Lifetime Learning Credit is up to \$2,000 for students enrolled in a postsecondary degree program or to improve or acquire job skills.)

Note: For students who may want to work independently on this module, refer them to Student Lesson – Education Credits

Developing the Lesson

Direct students to Tax Tutorial-Education Credits, and explain that this tax tutorial focuses on two Education Credits available to taxpayers that help offset the costs of higher education by reducing their income tax. These credits are the Hope Credit and Lifetime Learning Credit.

Online activities

Direct students to Simulation 10A-Claiming The Hope Credit and Simulation 10B-Claiming The Lifetime Learning Credit. Explain to students that by using the information provided, they will compute the Hope Credit for Jon Stillman and the Lifetime Learning Credit for Judy Hood.

Concluding the Lesson

After students have completed Tax Tutorial-Education Credits, Simulation 10A-Claiming the Hope Credit, and Simulation 10B-Claiming the Lifetime Learning Credit, ask them whether they have any questions about the education credits. To ensure that they understand the material, ask the following questions:

- What tax credit is used for postsecondary education qualified tuition and expenses? (Hope Credit or *Lifetime Learning Credit*)
- What tax form is used to claim education credits? (*Form 8863, Education Credits*)
- What is the maximum credit a taxpayer can claim for the Hope Credit? (*Up to \$1,650 per student*)

Assessment

As a final review, summarize the major lesson points. Remind students that there are two education credits which allow qualifying taxpayers to reduce their tax liability: Hope Credit and Lifetime Learning Credit.

When students are comfortable with the material, have them complete Assessment for Education Credits.

Assessment

Module 10: Education Credits

Part 1

Answer the following multiple-choice and true/false questions by clicking on the correct answers.
To assess your answers, click the *Check My Answers* button at the bottom of the page.

1) True or False? Both the Hope Credit and Lifetime Learning Credit can be claimed if a taxpayer has paid higher education expenses for an eligible student as long as they meet the general requirements.

- A. True
- B. False *Correct*

2) Mateo takes part-time classes at a local university. He is now a junior in college. Which credit is he eligible for?

- A. Hope Credit
- B. Lifetime Learning Credit at a financial institution *Correct*

3) Which of the following individuals is eligible for the Hope Credit?

- A. Peter's daughter, a senior who is enrolled full time in the engineering degree program at a local university
- B. Kim, who is taking a part-time photography class at a community college
- C. Zev, who has claimed the Hope Credit for the previous two years
- D. Paulo, who is taking at least one-half of the normal course load required for the computer science associate's degree program, attending classes the entire school year *Correct*

4) Bruce and Toni are married and file a joint tax return. Toni is a part-time student at the local community college, earning credits toward an associate degree in nursing. Which credit is Toni eligible for on her tuition and fees?

- A. Hope Credit
- B. Lifetime Learning Credit *Correct*

Part 2

1) Mario paid \$3,000 for his daughter's tuition last year. What is the amount of his Hope Credit for her expenses?

\$1,650

2) Aaron and Rebecca are married and will file a joint return. Their modified AGI is \$112,000. During the year, they paid qualified tuition expenses to enroll their two children, for whom they claim dependency exemptions, in an accredited private college. Do Aaron and Rebecca qualify to claim an education credit for their two children?

Yes

3) Which of the following is an example of a double benefit?

Kristin, who claims the Hope Credit for expenses paid with a Pell grant

4) Jake, a math teacher, is single and will take a three-month sabbatical during the tax year. During the sabbatical, he will take several specialized courses in advanced mathematics. His modified adjusted

gross income is \$30,000 and his tax liability is \$4,000. Jake is eligible for the Lifetime Learning Credit.

No